

# Financial Issues

There are many options that you can choose from to finance long-term care expenses. Some options may not be appropriate or available to everyone. It is important to assess your circumstances when evaluating each of the options.

## LONG-TERM CARE INSURANCE

Long-term care insurance is one way to pay for some or all of your long-term care. Private insurance companies sell long-term care insurance policies. Usually you buy an individual policy from an agent or broker but you may be able to buy a policy through the mail or by telephone. You may be able to buy coverage under a group policy through an employer or through membership in an association. The federal government and New Jersey state government offer long-term care insurance coverage to their employees, families, and some retiree groups.

Long-term care insurance covers services needed by people who cannot perform basic life tasks on their own. These may include personal care for needs like bathing, eating and dressing; possibly homemaker services for chores like cooking; and respite care to relieve family caregivers. Policies cover services in a variety of settings, including nursing homes, assisted living facilities, adult day care facilities, and at home.

People buy long-term care insurance to preserve savings and assets, have freedom of choice over care and where it is provided, control over the money you spend for care, and personal independence and peace of mind. Not everyone should buy long-term care insurance, however. For instance, if your only income is a Social Security benefit, you may not be able to afford the premium. Look carefully at your needs and resources to determine if this type of insurance is appropriate for you.

For additional information about long-term care insurance and a list of the companies selling it in New Jersey, you may call the State Health Insurance Assistance Program (SHIP) at 1.800.792.8820.

## LIFE INSURANCE

**ACCELERATED DEATH BENEFITS** | This benefit provides cash advances against the death benefit while the insured is still alive. It is accomplished by adding an Accelerated Death Benefits (ADB) rider to the life insurance policy for little or no cost.

**LIFE SETTLEMENTS** | Life Settlements (also known as Senior Settlements, Elder Settlements or High Net Worth Settlements) give older individuals the

ability to adapt to changes in health, goals or life circumstances by selling their life insurance policy. They may no longer need the death benefit because the original reason they bought the insurance no longer exists or the insurance premium may be unaffordable after retirement.

**VIATICAL SETTLEMENTS** | A Viatical Settlement is the sale of a policy by someone who has a life expectancy of two years or less while someone with a Life Settlement has a life expectancy greater than two years but less than 13. Under a Viatical Settlement, the insured assigns the proceeds of his/her life insurance policy to an investor in exchange for a cash settlement, which is less than the value of the death benefit. The tax consequences also differ. Viatical Settlements are usually tax-free, whereas Life Settlements are not.

**SINGLE PREMIUM LIFE/LTC POLICIES** | These policies are funded through a lump sum payment, which is guaranteed not to change. The single premium deposit can be made with cash, CDs, money market accounts, non-qualified and qualified annuities or IRAs and Keogh plans. Issue ages can vary based on the source of the premium.

## LONG-TERM CARE ANNUITIES

**DEFERRED ANNUITY WITH LONG-TERM CARE BENEFITS** | This annuity is available for persons up to age 85 and has seven broad health questions that most people can satisfy. One example of this hybrid product might consist of two funds. The first fund is for long-term care expenses and it grows at a high interest rate with a five-year guarantee. It then grows at the current interest rate thereafter. The second fund grows at 3 percent guaranteed and is a regular cash fund. The purpose of the separate long-term care fund is to allow immediate use of the funds for licensed LTC services.

**IMMEDIATE ANNUITY** | This annuity is available to people with uninsurable health conditions or those who may be already receiving long-term care, as well as those in good health. A single premium payment is converted to a monthly income stream guaranteed for the life of the policyholder or for a minimum guarantee period, life plus a minimum guarantee period or even a joint and survivor annuity option. The named beneficiary(ies) would receive a portion of the money if the policyholder dies earlier than the expiration of the minimum guarantee period.

**REVERSE MORTGAGE ANNUITY** | In a reverse mortgage annuity, part of the lump sum loan amount obtained from the reverse mortgage is used to buy an annuity. Even if the borrower sells or moves from the home, annuity payments will continue. The loan must be paid off when the owner dies, sells or moves from the home. The annuity payment from the separately purchased annuity can continue.

**LEASEBACK** | A leaseback occurs when an investor buys a home below market value and the investor agrees to rent the house to the seller on a long-term lease. The seller no longer has to worry about maintenance to the home or paying

taxes, and the proceeds of the sale can be used as desired, to finance long-term care needs or to buy insurance.

## HOME EQUITY CONVERSIONS

Home equity conversions are methods which allow homeowners access to the equity tied up in their homes without being forced to move or repay a loan from limited income. While there are several forms of home equity conversions, the most common are sale/leaseback and reverse mortgage.

**SALE/LEASEBACK** | Under a sale/leaseback, an investor purchases the homeowner's home and grants the seller a life tenancy. The seller may receive a lump sum payment from which a life annuity is purchased, or may receive monthly mortgage payments from which rent is deducted. The specific arrangement is often dictated by tax considerations. An advantage of this approach is that the seller's income is protected against the buyer's default by the mortgage and annuity purchased at the time of sale.

**REVERSE MORTGAGE** | A reverse mortgage is a loan made by a lender to a homeowner, which provides either a lump sum, a line of credit or monthly payments to the homeowner. Typically, the loan does not have to be repaid until the homeowner moves, sells or dies. The money received from the lender is not counted as income for purposes of eligibility for public benefits, such as Medicaid, Food Stamps or SSI.

The U.S. Department of Housing and Urban Development sponsors a program called the Home Equity Conversion Mortgage (HECM), a reverse mortgage program which is insured by the federal government. Theoretically, this mortgage can be made through any bank or mortgage company which is a Federal Housing Administration (FHA) lender. Anyone interested should call local FHA lenders or NJEASE at 1.877.222.3737, to find a participating lender. Some of the features and requirements of HECM are:

- Flexible payment options
- Adjustable rate mortgages
- Loan repayment cannot exceed the sale proceeds of the house even if the loan and interest exceed this amount.
- The loan amount is based on a maximum equity value, which is set in each county.
- HECMs are available only for single family homes.
- All home owners must be at least 62 years of age.
- Applicants must receive counseling from a HUD-certified counseling agency, which is separate.

## NEW JERSEY EASE

(EASY ACCESS SINGLE ENTRY) IS AN EASY WAY FOR INDIVIDUALS TO GET INFORMATION ABOUT SERVICES FOR OLDER ADULTS.

FOR MORE INFORMATION OR TO ARRANGE THE SERVICES YOU NEED, PLEASE CALL 1.877.222.3737.



**FOR MORE INFORMATION ON FINANCIAL ISSUES, PLEASE CONTACT THESE RESOURCES:**

**THE COUNTY OFFICE ON AGING/  
STATE INFORMATION HOTLINE**

NJEASE: 1.877.222.3737

**NEW JERSEY DEPARTMENT OF HEALTH &  
SENIOR SERVICES  
DIVISION OF AGING & COMMUNITY SERVICES**

P.O. Box 807

Trenton, NJ 08625-0807

1.800.792.8820

(toll-free for NJ residents only)

**NEW JERSEY DEPARTMENT OF HUMAN SERVICES  
DIVISION OF DISABILITY SERVICES**

222 South Warren Street

P.O. Box 700

Trenton, NJ 08625-0700

1.888.285.3036 (toll-free)

609.292.7800

609.292.1210 (TDD)

[www.state.nj.us/humanservices/dds](http://www.state.nj.us/humanservices/dds)

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For more information or additional copies please contact New Jersey EASE (Easy Access Single Entry), toll-free at 1.877.222.3737, the State's Senior Services Helpline at 1.800.792.8820 (out of state callers: 1.877.222.3737), or visit the NJ Department of Health and Senior Services Website at [www.state.nj.us/health/seniors.htm](http://www.state.nj.us/health/seniors.htm).

**State of New Jersey** | Richard J. Codey, Acting Governor

**Department of Health and Senior Services** | Fred M. Jacobs,

M.D., J.D., Commissioner

**Department of Health and Senior Services Division of Aging and  
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